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ABSTRACT

The Colorado Child Care Assistance Program (CCCAP) purchases child care for low-income families to enable their participation in the workforce. This report describes CCCAP and its effect on child care centers and family child care providers. The report notes that each county in Colorado sets the daily purchase price of child care, with most counties' purchase price below 75 percent of the open market rate. When counties purchase child care below the open market rate, child care vendors subsidize the cost of service to CCCAP clients. The report notes that the average CCCAP payment for children in child care centers is $21.94 per week less than the open market rate. Child care centers may limit the number of CCCAP children to offset their financial losses or accept no CCCAP children. Other actions include charging more to full-paying clients or cutting programs. The CCCAP payment for family child care providers is $13.85 per week less than the open market rate. Family child care providers must work an extra two weeks per year to compensate for their financial loss of accepting one child on CCCAP. The report maintains that Colorado counties should reward the small business owners willing to work with CCCAP rather than punishing them with below open market rate payments. The paper concludes by asserting that Colorado's child care fiscal policy must address the purchase price of child care in CCCAP and the operating costs as well. (KB)

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The Fiscal Impact of Colorado Child Care Assistance Program Payments On The Child Care Industry:

An Assessment of How the Child Care Provider Underwrites Publicly Purchased Child Care, 2001

PS 029878

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Why Child Care Payments Matter
Child care is a way of life for 62% of children under age one and 76% of older children.[1] The Colorado Child Care Assistance Program (CCCAP) purchases child care for low-income families to enable their participation in the workforce. Both quantity and quality of child care is at risk when payment through CCCAP is below the open market rate. Currently, the Colorado child care industry loses over $51,000,000* each year due to low CCCAP rates. Results are high industry attrition rates and low to marginal quality of child care. All children need good quality child care to be successful in school, and working families need access to child care to participate in the workforce.

What Is the Colorado Child Care Assistance Program (CCCAP)?
Every county in the State of Colorado purchases child care for low-income families. CCCAP is designed to help families become self-sufficient by paying for a portion of their child care until their earnings increase.

How does CCCAP Payment Work?
The State of Colorado allows each county to set the daily purchase price of child care. Most counties' child care purchase price is lower than the open market rate, usually falling below 75% of the open market rate. Payment to child care providers is generated from a blend of county funds and parental fees determined on a sliding scale.

What Effect Does CCCAP Have on Child Care Providers and Children?
When counties purchase child care below the open market rate, child care vendors subsidize the cost of service to CCCAP clients. The largest portions of child care expenses are labor related. Since the ratio of adults to children is based on licensing regulations for safety factors, wages paid to child care workers are heavily affected. Other areas that can be affected are programs that help improve the quality of child care and the potential profit a child care provider could make. Low wages directly impact the caliber of individual recruited to the industry and their ability to remain in the industry. High turnover rates and child care teachers' education on child growth and development directly influence the quality of service. Research shows that all children succeed to a higher degree when their environment is consistent with a well-trained adult.[2]

*Based on the assumption that all currently subsidized children accessed CCCAP full-time for 12 months

Where can CCCAP dollars purchase child care?
Colorado law recognizes three categories of child care vendors to support consumer choice and the needs of children and family. Child care centers are typically the most expensive service and they serve the most children. Both centers and family homes must meet minimum standards to be licensed. These minimum standards are meant to ensure a basic level of safety for children in child care.

Table 1: Differences Between Centers, Homes, and License Exempt Providers

	Child Care Center	Family Child Care Home	License Exempt**
Licensed	Yes	Yes	No
Legal Status	Non-profit, For Profit	For Profit	Unknown
Children Enrolled [3]	133,841	33,559	Unknown
Number of Operating Small Businesses [3]	2,117	4,840	Unknown
Child Abuse and Criminal Background Checks	Yes	Yes	No
Incur Cost of Regulation	Yes	Yes	No
Fire Safety Checks	Yes	Yes	No
Health Department Checks	Yes	Yes	No
Staff Educational Requirements	Yes	Yes	No
Accreditation Available	Yes	Yes	No

**The state of Colorado does not require a license for an individual providing child care for children of a single family besides their own.

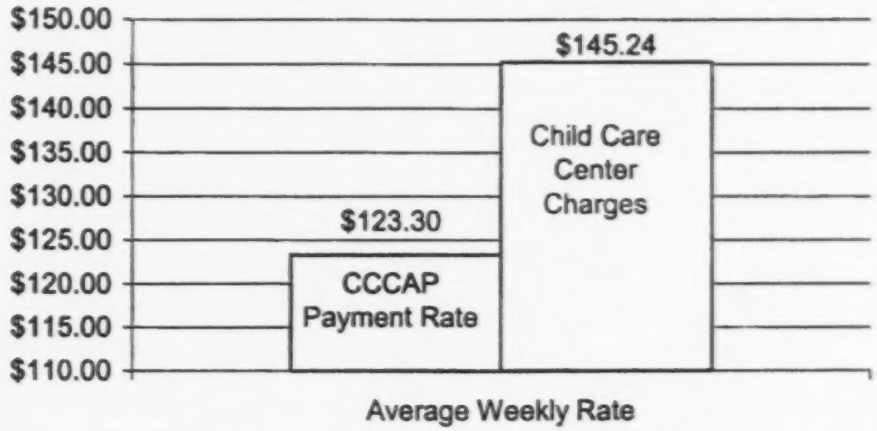
How do CCCAP Payments Impact Child Care Centers?
In urban counties the average CCCAP payment for a child is $21.94 per week less than the open market rate.

$21.94 short payment per child x 52 weeks = $1,140.88 loss per year per child

To offset this financial loss, many centers limit the number of children on CCCAP they accept and in many cases accept no children on CCCAP. Both actions have the effect of severely limiting access to licensed child care for families on financial assistance.

Other actions centers take to offset the financial loss are to cut programs like music, art, or physical education, charge more to full-paying clients, take less of a profit, or if profit were minimal to begin with they would take the loss, therefore, putting their business at financial risk.

Figure 1: Colorado Urban* County CCCAP Payment Rates vs. Child Care Center Charges [4,5]**



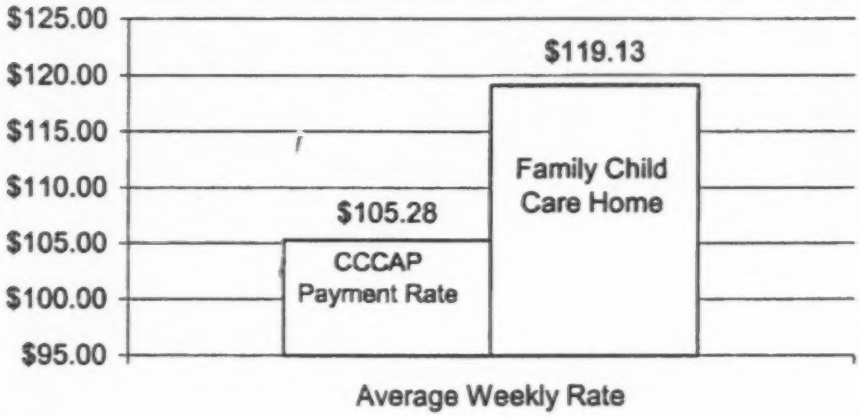
***Urban counties: Adams, Arapahoe, Boulder, Denver, Douglas, Jefferson, Larimer, Mesa, Pueblo, and Weld

How do CCCAP Payment Rates Impact Family Child Care Providers?
In urban counties the average CCCAP payment for a child is $13.85 per week less than the open market rate.

$13.85 short payment per child x 52 weeks = $720.20 loss per year per child

A family child care provider must work an extra 2 weeks per year to compensate for the financial loss of accepting one child on CCCAP. This contributes to the low average wage of family child care providers of $6.79/hr.[8]

Figure 2: Colorado Urban County CCCAP Payment Rates vs. Family Child Care Home Charges [4,5]



Out of the approximately 54,000 children that receive CCCAP each year, half of the families have income below the Federal Poverty Level. If all 124,000 eligible children who are currently living below the Federal poverty level accessed CCCAP, the revenue loss to the Colorado child care industry would be greater than **$1 billion** each year. [5,7]

Conclusions and Observations

The small business owners of child care find themselves wanting to deliver quality services while maintaining sound fiscal and business practices.

With the goal of the CCCAP program to support low-income families working toward financial self-sufficiency, Colorado counties should reward the small business owner willing to work with the CCCAP program rather than punish them with below open market rate payments.

If simultaneously, Colorado is sincere about raising the overall educational success of students, children must enter the K-12 system ready to succeed. The quality of child care that children receive directly impacts their school readiness.

The resources currently available to child care providers are not adequate enough to address the concerns outlined here. Colorado must work creatively to involve all stakeholders (families, employers and civic and public sectors) in structuring a financing system that is capable of delivering good quality child care, is affordable to families, adequately compensates the workforce and is supportive of sound business practices.

Colorado's child care fiscal policy must address both the purchase price of child care in the CCCAP program, but also the operating costs. The housing, transportation, and higher education industries offer insights into ways to blend both market-driven and publicly supported services.

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